Heading for the Fast Track? New Studies Examine Who Gets Promoted and Why

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Maybe Oprah Winfrey knew something about workplace dynamics that other people didn't.

Winfrey, of course, is the multimillionaire founder of a media empire that includes not only her syndicated talk show but also *O* magazine, a members-only website, books and even weight-loss camps. By choosing self-employment over working for a TV station or network -- she began her career as a news anchor in Nashville -- Winfrey may have avoided a pitfall for many black women in the workplace, namely, being stuck in their jobs. Black women are less likely to be promoted than males and white women, according to a group of labor economists and human resource specialists who recently gathered at Wharton.

Even as two big labor unions decided this week to defect from the AFL-CIO, claiming that it had failed to stop declining union membership or push hard enough for labor reform, participants in a conference entitled "Careers and Career Transitions: New Evidence for a New Economy" debated the alchemy of promotion -- who gets it, when and why. The conference was organized by Wharton's Center for Human Resources and sponsored by career transitions firm DBM. Scholars presented evidence from different places -- Fortune 500 companies, call centers, Canadian firms -- and parsed it in various ways. But two findings arose repeatedly: Minority females are less likely than others to win promotions, and white males are more likely to.

Other studies probed the dynamics of promotion -- including the concept of the "fast track," the effect of corporate restructurings on professional advancement and the likelihood of promotion for insiders vs. recent outside hires, among other things. The goal of the conference was to understand how modern labor markets operate -- nearly everyone agreed that today's economy appears to allow for more employee mobility among firms -- and what this means for workers.

"An overarching theme was thinking about what determines career ladders within firms," said Wharton professor of business and public policy Justin Wolfers. "There's room for a number of different views here. Some scholars believe managerial policies matter. Some think demographic differences do. And if you think about types of managerial policies, some firms have what academics call internal labor markets, and some regard employees as, in effect, being bought and sold on the spot market."

The Fast Track and the "Peter Principle"

Pablo Acosta, a doctoral candidate at the University of Illinois at Urbana-Champaign, presented research based on the personnel records of a single U.S. corporation. Like several of his colleagues, he found that whites, males and more educated workers had a higher probability of being promoted.

Nothing radical there, but as he sifted through the data he was able to test two pieces of conventional workplace wisdom. The first was the "fast track," the idea that companies often have an accelerated evaluation and promotion path for people who have been designated as stars early in their careers. The second was the famed "Peter Principle," which says that workers rise to the level of their incompetence and then stall. It was formulated by Laurence J. Peter, an education professor who taught at the University of Southern California.

In a paper titled, "Promotions, State Dependence and Intrafirm Job Mobility: Insiders vs. New Hires," Acosta found that fast tracks didn't seem to exist in any systematic or firm-wide way. If they did, previous promotions should lead to a higher probability of future promotion, but that wasn't the case.

In contrast, his analysis suggested that the Peter Principle did exist. He discovered that outsiders had an advantage over insiders when competing for a higher position. In theory, if an insider had risen to his or her level of incompetence, he or she would then be less likely to get promoted. Of course, an equally likely explanation would be "the grass is always greener" phenomenon -- or, put in the corporate context, companies like newer hires not because their longtime employees are incompetent but because people have a tendency to overvalue unfamiliar candidates and undervalue known ones. That might explain the tendency of companies to seek out savior CEOs from the outside, as, for example, Hewlett-Packard did -- with little success -- when it hired Carly Fiorina, or as IBM did, with much better results, when it brought in Lou Gerstner.

Like Acosta, John Dencker of the University of Illinois Urbana-Champaign investigated promotions within a single large U.S. firm. His research was aimed at determining what happened to employees after restructurings. The company he examined, a manufacturer, experienced major layoffs in the mid-1980s, reworked its means of employee evaluation in the late '80s and underwent another round of layoffs in the early '90s. Dencker, in a paper titled, "Organizational Structure, Gender, and the Influence of Corporate Reorganization on Employee Promotion Patterns," focused on white-collar employees because he says that they were disproportionately targeted in layoffs in the '90s. During that time, middle managers accounted for 20% of job losses but only 10% of the workforce.

The first round of layoffs at the firm studied by Dencker appeared to turbocharge the careers of managers who survived it: Their promotion rates increased. And that makes sense. A firm would want to try to keep its best people, and thus it effectively signals that layoff survivors are top performers.

But promotion rates decreased after the firm reformed its means of employee evaluation. Specifically, the firm moved from a system based mainly on seniority to one based mainly on performance. Interestingly, though, the promotion rate for female employees rose after the change. Dencker couldn't explain this. Despite doing follow-up interviews with executives, he could find little evidence of a concerted effort to advance women. What's more, "a search for legal rulings failed to uncover any evidence that the firm had engaged in blatant discriminatory practices in the past," he says.

After the second layoff, promotion rates also dipped. This drop suggests that the firm may have moved from a closed employment relationship, where it relied on promotions to reward good performance, to an open one, where, for example, it might rely on "short-term, market-driven rewards such as bonuses," Dencker says.

The Influence of Race and Gender

A pair of papers presented at the conference took direct aim at the influence of race and gender on promotions. In one, Margaret Yap, a professor at Ryerson University in Canada, explored promotions at a large Canadian company. In the second, Nancy DiTomaso, a professor at Rutgers University, and four co-authors investigated the same issues among scientists and engineers at multiple firms.

Before digging into any statistical analysis, Yap examined simple percentages and found that, in her selected company, whites were more likely to be promoted than nonwhites, men were more likely than women, and white males were more likely than white females or minorities of either gender. "This simple comparison of gross promotion rates indicates . . . that minority females seem to suffer a double whammy in their prospect for career advancement," she writes. White males also earned more on average -- $68,000 -- compared with $64,000 for minority men and $54,300 for women.

Yap then split the firm's employees, looking separately at lower-level employees and senior managers. At the lower level, white males had the highest promotion rate. But at the senior level, white and minority females beat them, while minority males still lagged. Yap applied a variety of statistical tests to her findings, and the results held: White men were the most likely to receive promotions, even when other workers appeared equally or even more qualified. This led her to conclude that "systemic barriers must have existed in the company's policies, programs and practices."

Many would feel that Yap's conclusion is tentative: After all, she examined a single firm. And one doesn't need to look far to find examples of individual firms that have discriminated against one group of employees or another -- or at least have been accused of it. Earlier this month, a male violinist sued the New York Philharmonic Orchestra, accusing it of favoring female violinists. And an arbitration panel ruled that Merrill Lynch had to rehire a female financial consultant against whom it had discriminated. Last year, the panel ruled that Merrill had exhibited a pattern of gender discrimination. Another New York investment bank and brokerage, Morgan Stanley, paid $54 million last year to settle accusations that it, too, had discriminated against women.

DiTomaso and her co-authors tried to overcome what researchers call the "small-sample problem" by examining promotions of scientists and engineers at 24 firms. Like Yap, they found an advantage for white males. White male scientists had greater control over the content of their work, which the authors regard as a key driver of professional satisfaction among scientists and engineers, and received higher performance ratings. Interestingly, "[white males] receive greater access to favorable work experiences and higher performance ratings no matter who is rating them," the authors note. In other words, they are well rated by fellow white males *and* by minority females.

The authors found no evidence that firms knew they were favoring white males. In fact, interviews and focus groups revealed that white males themselves tended to feel "disadvantaged vis-a-vis other groups, owing to what they perceive as their employers' emphasis on workplace diversity."

The only group whom the authors found to be consistently disadvantaged was U.S.-born black females. All other groups experienced what the authors call "the absence of advantage," that is, no special advantage or, for that matter, disadvantage.

"The process by which U.S.-born white men accrue advantage -- by receiving favorable treatment in the workplace that then helps them become more competent and worthy which then reinforces the belief that people like them are competent in these kinds of jobs -- has important consequences," the authors conclude. "Since no one is ostensibly guilty of discrimination, ill will or intentional unfairness, without attention to favoritism as well as discrimination, there is no remedy for those who either lack favor or suffer disfavor."